



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT, TREASURY BUREAU

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## Frequently Asked Questions

**Q: How many participants are in the 457 Plan?**

**A:** There are about 5,400 active and retired employees in the City of Long Beach's 457 Deferred Compensation Plan.

**Q: Why did you choose ICMA-Retirement Corporation?**

**A:** The City, with an independent consultant, issued a Request For Information (RFI) to ICMA-Retirement Corporation, ING, and Nationwide asking how they could improve their service. Comparing their responses to industry best practices, a Committee of employees determined we would be better served by putting the Plan out to bid, which had not been done in over 10 years. Including ICMA-Retirement Corporation, ING, and Nationwide, eight national firms responded to a Request for Proposals (RFP). The Committee-selected finalists were Great West, ICMA-Retirement Corporation, and Nationwide. After interviews and a request for final offers, the Committee recommended ICMA-Retirement Corporation as offering the best overall package of experience, fees, investment flexibility, employee support and on-site education services.

**Q: Why shouldn't we keep multiple providers?**

**A:** The RFP was a competitive process, and each firm was given equal and multiple opportunities to make presentations. Keeping two providers increases management costs, reduces the purchasing power of your assets, and makes it difficult to offer a comprehensive education program for all employees.

**Q: How many people were on the selection committee?**

**A:** There were nine committee members including the City Attorney's Office, City Controller Office, City Manager's Office, City Treasurer's Office, Department of Human Resources, International Association of Machinists, Financial Management, Fire Fighters Association, and the Police Officers Association.

**Q: Have other cities gone to single-provider plans?**

**A:** Yes. Single provider structures are the current trend. Locally, City of Los Angeles, the County of Los Angeles, LAMTA, the Orange County Firefighters Association, City of Torrance and many other sponsors offer a single provider to maximize the purchasing power of a large plan, and capture administrative efficiencies.

**Q: Who is ICMA-Retirement Corporation?**

**A:** ICMA-Retirement Corporation is one of three 457 deferred compensation providers in our current Plan structure. They have actively participated in the City's Plan for about 20 years.

**Q: How long is the contract with ICMA-Retirement Corporation?**

**A:** The contract will be for a minimum of five years. Seven year and ten year terms are being contemplated.

**Q: Are we going to have drastic changes in providers and portfolios every five years?**

**A:** While the provider and mutual funds will be reviewed on a regular basis, we recognize that change can be disruptive and will only make changes when it is absolutely necessary.

**Q: Why are lower fees important to me?**

**A:** All things being equal, the lower the fees charged by the funds, the higher your earnings will be.

**Q: Whose money are we saving?**

**A:** We are saving employee money by lowering fees. Lower fees mean the mutual funds are charging you less. The savings stay in your account for your benefit. There is no financial benefit to the General Fund.

**Q: How is the City benefiting from this change?**

**A:** The City's administration time may be reduced; however, there is no financial benefit to the City. All moneys in the deferred compensation plan are invested by employees; therefore, the financial savings remain with the employees.

**Q: How will the million dollars be distributed?**

**A:** The savings are not a rebate, but rather a reduction in fee expenses that you use to be charged. These higher fees will be reduced, and therefore, will no longer be taken out of your account. The City does not share in any of the savings. Whether it was apparent or not, every mutual fund charges you some amount to manage your money. Now you will be paying less in fee expenses, and in some cases paying less for the same Fund, which directly increases your earnings. When we add up the reduction for all the plan participants, the savings should total about a million dollars.

**Q: Do the fees I pay depend on the amount of investments I have?**

**A:** Yes. Costs are calculated as a percent of your invested assets.

**Q: Were there any union issues tied to your recommendation?**

**A:** No. This review was conducted independently of all labor discussions.

**Q: Will my investment choices be reduced?**

**A:** In the past, multiple companies were included in your Plan because only certain providers could offer certain mutual funds. With three providers, we had three small plans. Today many providers can offer any mutual fund on their platform at far lower cost. Our goal is to increase service and lower costs.

Choice is being maintained. All current categories of investments will be offered. Each current mutual fund will be evaluated. A mutual fund may be retained, at less cost to you, if it is the strongest performer available in its asset category. Several mutual funds

currently available through ICMA-Retirement Corporation, ING, or Nationwide may be retained, and will provide higher yields through lower fees charged to you. However, if you want a mutual fund not offered in the investment menu, you may open a self-directed brokerage account through ICMA-Retirement Corporation, which has access to over 5,000 mutual funds.

**Q: Will you keep the American Funds, and ICMA-Retirement Corporation Funds?**

**A:** We will make every effort to retain the best performing funds at their lowest cost. To minimize disruption, we are looking to retain as many incumbent funds as practical; however, to best serve the entire spectrum of participants, each recommended fund must be a superior performer and offer a sound process to earn its place as an offering of this Plan. We will review all current investment funds from each provider, as well as, other available investments in each class.

**Q: I earned more in Nationwide than ING or ICMA-Retirement Corporation.**

**A:** Strong performance from your other fund choices is based on two primary factors: strong fund management and low investment-related expense. Fund management is specific to the individual mutual fund and is not connected in any way with a service provider (e.g. ING, Nationwide or ICMA-Retirement Corporation). The new provider arrangement should allow you to maintain certain mutual funds that have performed well in the past. Additionally, many of these strong performers are available at lower cost to you, further adding to your investment return.

**Q: Who decides what funds are offered?**

**A:** The investment consultant will recommend a menu of funds to the Deferred Compensation Committee. The Committee will be responsible for reviewing and adopting an investment menu.

**Q: When will the list of investment funds be available?**

**A:** The investment listing will be available after the City Council adopts the recommendation, and the list is approved by the Deferred Compensation Committee.

**Q: Will the investment funds be registered?**

**A:** Yes. All the mutual funds offered will be registered and publicly traded. You will be able to monitor each fund through a wide variety of information services including Morning Star, Yahoo Finance, Bloomberg, and Market Watch.

**Q: How often will funds be changed?**

**A:** It is envisioned that the Committee will meet with the financial consultant on a regular basis to review the performance of the investment menu. The goal is monitor trends and performance versus benchmarks, and then only make substitutions when necessary. Frequent radical changes are not anticipated.

**Q: Can we have a stable value fund?**

**A:** Yes. A stable value fund will be part of the recommended 457 investment menu.

**Q: Can we make some recommendations on specific funds?**

**A:** The City will take suggestions under advisement.

**Q: I have an FDIC insured account now. Will I still have FDIC insurance after the transition?**

**A:** Yes. An FDIC insured deposit account will be offered.

**Q: Will I transfer directly into the "target date" funds?**

**A:** The "target date" funds will be created on the transfer date, and available for use after that.

**Q: What is the benefit of using a self-directed brokerage account?**

**A:** Though the vast majority of participants will be well served by the recommended line-up, the self-directed brokerage account is a product for those who seek more investment options than offered through the Plan. It must be remembered the self-directed service is independently managed by the participant, and does not benefit from institutional pricing or the 457 Plan's investment advisor reviews.

**Q: If I use the self-directed brokerage account, will I have to take my money out of the 457 Plan and lose the tax deferred status?**

**A:** No. The self-directed brokerage feature remains under the 457 Plan. It is another 457 feature offered within the Plan, and retains the tax deferred treatment.

**Q: If I use the self-directed brokerage account, can I move the cash back into the recommended funds?**

**A:** Yes. The self-directed brokerage is just another tax deferred investment option within the 457 Plan.

**Q: What will the self-directed brokerage account cost?**

**A:** There will be an annual reduced cost of approximately \$50 annually, plus transaction fees charged by the discount brokerage firm.

**Q: Who will provide the self-directed brokerage service?**

**A:** The self-directed brokerage account will remain under the tax-deferred 457 umbrella, and use a discount broker's investment platform such as Charles Schwab, or TD Ameritrade.

**Q: I have an account at the same brokerage now. Will the self-directed account be combined with my current account?**

**A:** The self-directed account will be independent from any other brokerage account you currently have, and will not be combined with an existing account.

**Q: How much of my account can I put into the self-directed brokerage account?**

**A:** That will be determined when the contract is fully negotiated.

**Q: How often can I move money within my account?**

**A:** There is no Plan limitation for frequent moves; however, some funds do charge added fees for excessive trading or "market timing".

**Q: What assurance do I have that the new funds will do as well as my current portfolio?**

**A:** While there is never a guarantee to future performance, the new investment options will be selected after extensive analysis and due diligence. These funds will be monitored on a regular basis and every effort will be made to make sure that the funds continue to perform as expected.

**Q: Can I buy stock or real estate through the self-directed brokerage account?**

**A:** No. Only mutual funds and Exchange Traded Funds (ETFs) will be available through the self-directed brokerage account.

**Q: How will service get better?**

**A:** ICMA-Retirement Corporation will provide at least four local representatives including a dedicated Retirement Plan Specialist, Account Executive and two Certified Financial Planners (CFPs). The Retirement Specialist's only account will be the City of Long Beach, and will have an office located on City premises. The Retirement Specialist will be available for individual and group meetings. The CFPs will be on-site at least once per week and are available by appointment for all City employees. ICMA-Retirement Corporation offers a complementary financial plan with annual updates without charge to the participant. The contract includes service guarantees to ensure promised meetings, education, and services are delivered to you.

**Q: How often can I meet with the Certified Financial Planner without charge?**

**A:** You can meet with CFP annually to prepare and review your financial plan. The CFP, the permanent retirement specialist, and ICMA-Retirement Corporation telephone staff are also available to offer advice and answer questions year-round.

**Q: How soon after the new plan is in place is the CFP available?**

**A:** Appointments may be scheduled immediately after transition.

**Q: What are the improvements to education?**

**A:** ICMA-Retirement Corporation will have staff dedicated to serving you. ICMA-Retirement Corporation will focus on the importance of retirement planning, how to get started, and how to best use retirement tools to meet your goals. ICMA-Retirement Corporation will be tailoring their materials to the City's plan and employee needs.

**Q: ICMA-Retirement Corporation reports were hard to read and not frequent enough.**

**A:** For up-to-date consultations, each representative has access to your current account information through their laptop. In addition to account information, they have software to run benefit illustrations to determine potential balances at retirement. Your current account information will be available to you on-line 24/7 through the City's deferred compensation website maintained by ICMA-Retirement Corporation, and ICMA - Retirement Corporation will also mail to you a quarterly statement of your account.

**Q: Who can give me investment advice?**

**A:** You can get in-person advice with a Certified Financial Planner, and/or on-line with Guided Pathways Managed Accounts service.

**Q: Will financial planning services be available to retirees as well as active employees?**

**A:** Yes. Financial planning services with a certified financial planner will be available to every participant that wants it.

**Q: As I near 70 1/2 years of age, will someone work with me?**

**A:** Yes. The IRS requires that mandatory minimum distributions start no later than 70 1/2. The provider will assist you with your planning needs.

**Q: When planning the retirement withdrawals, can I specify which funds should be drawn down first?**

**A:** Yes. The retirement plan specialist or other professionals could assist you.

**Q: If ICMA-Retirement Corporation pays performance penalties, who gets the money?**

**A:** Very few penalties are expected. Any penalties assessed are paid to the Deferred Compensation Plan and held in trust for administration of the Plan. The funds may only be used to offset reasonable Plan expenses. Examples of authorized uses are funding employee communications and educational programs. The funds are not available to the City or the General Fund.

**Q: Do you provide ROTH 457 accounts?**

**A:** While Congress provided for ROTH 401k and 403b accounts, they neglected to create a ROTH status for 457 accounts. If Congress changes the law in the future, we will look at amending the Plan.

**Q: How do I increase my payroll contributions?**

**A:** Payroll withholding can be adjusted during the quarterly open enrollment.

**Q: Can I meet with a CFP now?**

**A:** Today through your existing provider (ICMA-Retirement Corporation, ING, Nationwide) you may use their CFP advisory service. When making your appointment, please ask if there are fees or commissions associated with their contract. Alternatively, you may wait until the transition is complete, and use the CFP service provided under the new contract without charge to you. ICMA-Retirement Corporation's CFPs are salaried and do not receive sales commissions.

**Q: Should I talk to someone now about my retirement money?**

**A:** Yes. Your existing provider is available to you for questions. Also, the ICMA-Retirement Corporation transition team will be available to you during the transition. After the transition, ICMA-Retirement Corporation's Retirement Specialist, CFP, and telephone representatives will be available to you.

**Q: How long will the transition take?**

**A:** It will take four to six months to plan and carry out the transition. Throughout the process, we will keep you up-to-date through transition events, U.S. mail, a toll-free information line, and a custom transition website where progress is reported, and coming meetings and transition events are posted.

**Q: Who will keep me informed, and how?**

**A:** In addition to the above, ICMA-Retirement Corporation will also have at least ten ICMA-Retirement Corporation professionals ready to meet individually with employees and give presentations throughout the City. After the transition, ICMA-Retirement Corporation will continue to provide at least four local representatives including a dedicated Retirement Plans Specialist, Account Executive, and two Certified Financial Planners.

**Q: If currently taking distributions, how will they change?**

**A:** All of your distribution schedule and amount choices will remain the same.

**Q: Can I start distributions, or change them?**

**A:** You can start or change your distribution elections before or after the transition date.

**Q: What do I need to do for the transition?**

**A:** You are encouraged to take this opportunity to review your account to ensure it meets your financial goals. The transition, however, is automatic and will place you in investments matching your current asset classes.

**Q: I will be out of the country during the transition. What do I need to do?**

**A:** There are no active steps required for the transition; however, you are free to make changes before and after the transition. The transition team will provide more detailed guidance.

**Q: Will I have to change my withholding elections?**

**A:** No. ICMA-Retirement Corporation will work with your current provider to ensure your withholding information transfers automatically.

**Q: If I have accounts with two or more providers right now, will there be an extra charge to me?**

**A:** No. There will be no transfer charges to participants for this change.

**Q: Will the transfers between providers and funds affect my tax liability?**

**A:** No. This change will not trigger a tax event. All funds move under the 457 deferred compensation umbrella.

**Q: Will there be any fees for this transition?**

**A:** No. There is no charge.

**Q: Will there be any loss of money to participants?**

**A:** No. Your account value will transfer over dollar-for-dollar.

**Q: Is there a website where I can see the status of the transition?**

**A:** A transition website will be announced as part of the overall communication outreach efforts to make the transition transparent to you, and to ease any transition inconvenience. In-person group and individual sessions will also be conducted at various locations for your convenience.

**Q: What communications will participants receive?**

**A:** The transition team will hold a series of group informational meetings at various locations utilizing at least 10 professionals. They are also available by phone and for individual appointments. Additionally information will be mailed to your home, there will be a manned toll free phone number, as well as, the transition website to ensure you will always know what is happening.

**Q: Will we get quarterly updates?**

**A:** After the transition you will be able to access your account information in-person with a representative, on-line, by telephone, as well as through your quarterly statements.

**Q: What's the next step? Do participants need to vote?**

**A:** The City Council will be asked to authorize the transition.

**Q: Who will be on the permanent Deferred Committee?**

**A:** The Deferred Compensation Committee has not yet been formed. It is contemplated to have both employee and employer representation.